

## Message Text

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ACTION EUR-12

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USINT BAGHDAD  
ZNE/AMCONSUL ADANA POUCH  
AMCONSUL ISTANBUL POUCH  
AMCONSUL IZMIR POUCH

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E.O. 11652: N/A  
TAGS: ETRD, ENRG, BENC, TU  
SUBJ: TURKISH ECONOMIC COOPERATION EFFORTS WITH IRAQ AND LIBYA

1. SUMMARY. TWO MINISTERS IN COALITION GOVERNMENT WERE ON ECONOMIC COOPERATION MISSIONS IN LATE AUGUST TO TURKEY'S TWO MIDDLE EASTERN NEIGHBORS WHICH ARE PRINCIPAL SOURCES OF TURKISH PETROLEUM IMPORTS. MOST PRODUCTIVE OF VISITS APPEARS TO HAVE BEEN THAT OF MINISTER OF INDUSTRY AND TECHNOLOGY OGUZHAN ASILTURK(NATIONAL SALVATION PARTY-NSP), WHO RETURNED FROM TRIPOLI REPORTEDLY WITH COMMITMENT FROM LIBYANS TO PARTICIPATE IN SEVEN TURKISH INVESTMENT PROJECTS WITH A TOTAL VALUE OF ONE BILLION DOLLARS. AT SAME TIME, MINISTER OF ENERGY AND NATURAL RESOURCES, KAMRAN INAN(JUSTICE PARTY-JP), WAS IN BAGHDAD TO DISCUSS EXPANDED ECONOMIC COOPERATION BETWEEN IRAQ AND TURKEY. IT IS LIKELY THAT ONE OF MAIN PURPOSES OF BOTH TRIPS WAS TO SEEK ARRANGEMENTS FOR TURKISH IMPORTS OF PETROLEUM ON DEFERRED PAYMENT BASIS; IT IS NOT CLEAR IF EITHER MINISTER SUCCEEDED IN THIS EFFORT. END SUMMARY.

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2. MINISTER ASILTURK, IN A PRESS CONFERENCE ON HIS RETURN, SAID THAT OF 31 PROJECTS OFFERED PREVIOUSLY AS JOINT TURKISH-LIBYAN VENTURES, LIBYAN AGREEMENT HAD BEEN OBTAINED ON THE FOLLOWING SEVEN:

A. AN INTEGRATED PULP AND PAPER PLANT IN BLACK SEA AREA.

B. A PLANT IN SAKARYA PROVINCE TO PRUDUCE 40,000 MICROBUS AND PICK-UP TRUCK ENGINES ANNUALLY. THIS IS ONE OF PLANTS PLANNED WITH THE TUMOSAN COMPLEX; LICENSE AND ENGINEERING AGREEMENT IS ALREADY SIGNED WITH MITSUBISHI.

C. ANOTHER TUMOSAN PROJECT IN AKSARAY PROVINCE TO PRODUCE 8,000 LARGE DIESEL TURCK ENGINES(UNDER VOLVO LICENSE) AND 32,000 MEDIUM TRUCK ENGINES (MERCEDES LICENSE) ANNUALLY.

D. A PROJECT TO PRODUCE CENTRIFUGAL AND DEEP WELL PUMPS IN DIYARBAKIR AREA. PART OF PLANNED TEMSAN ENTERPRISE.

E. A TRANSFORMER, ALTERNATOR, AND ELECTIRC MOTOR PRODUCTION PROJECT FOR MALATYA PROVINCE, ALSO PART OF TEMSAN.

F. A COMPLEX TO PRUDUCE 53 MILLION BEARINGS A YEAR, TO BE LOCTED IN ORDU AND BILECIK PROVINCES.

G. FERTILIZER PLANTS IN MERSIN PROVINCE WITH ANNUAL CAPACITIES OF 330 THOUSAND TONS OF UREA AND 420 THOUSAND TONS OF AMMONIUM PHOSPHATE.

3. ASILTURK SAID LIBYANS HAD AGREED TO TAKE 49 PERCENT INTEREST IN THESE PROJECTS, WITH THE 51 PERCENT BALANCE TO BE IN TURKISH HANDS. HE STATED THT AGREEMENT ON THESE PROJECTS WAS INDICATION OF A NEW TREND IN TURKISH-LIBYAN ECONOMIC RELATIONS TOWARD INVESTMENT AND AWAY FROM PURELY BILATERAL TRADING, WHICH BECAUSE OF OIL SALES IS HEAVILY IN THE LIBYANS' FAVOR. WITH REGARD TO TURKISH IMPORTS OFLIBYAN OIL, THE MINISTER SAID SIMPLY THAT THESE LIMITED OFFICIAL USE

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WOULD BE POSSIBLE ON A CREDIT BASIS.

4. RESULTS OF INAN VISIT TO IRAQ WERE LESS CONCRETE, ALTHOUGH HE SAID HE WAS "EXTREMELY PLEASED" WITH HIS CONTACTS WITH IRAQI OFFICIALS. HE TOLD THE PRESS THAT AGREEMENT IN PRINCIPLE HAD BEEN REACHED FOR JOINT TURKISH -IRAQI COMMISSION TO MEET BEFORE END OF YEAR TO REVIEW NUMBER OF PORJECTS DISCUSSED DURING HIS VISIT (NON OF WHICH ARE NEW) AND TO PREPARE FEASIBILITY REPORTS ON THOSE WHICH COULD BE IMPLEMENTED QUICKLY. AMONG THESE ARE:

A. EXPANSION OF, AND AN IRAQI ROAD LINK WITH, THE PORT OF ISKENDERUN.

B. CONSTRUCTION OF TURKISH-IRAQI RAIL LINKS.

C. CONNECTION OF TWO COUNTRIES' POWER GRIDS.

D. IRAQI TOURIST INVESTMENTS IN TURKEY.

E. TURKISH TECHNICAL ASSISTANCE TO IRAQI CEMENT INDUSTRY.

F. CONSTRUCTION OF NATURAL GAS PIPELINE FROM KIRKUK FIELDS TO TURKEY, AND ASSOCIATED INSTALLATIONS.

. TURKISH TECHNICAL ASSISTANCE IN PETROLEUM PROSPECTING IN NORTHERN IRAQ.

5. INAN ALSO NOTED THAT, BECAUSE OF PETROLEUM IMPORTS, TRADE BETWEEN THE TWO COUNTRIES WAS GREATLY OUT OF BALANCE, WITH TURKEY SPENDING ABOUT ONE BILLION DOLLARS A YEAR FOR IRAQI OIL WHILE EARNING LESS THAN 50 MILLION IN SALES TO IRAQ, MAINLY OF AGRICULTURAL GOODS. HE SAID, HOWEVER, THAT IRAQ WANTS TO BUY 450 THOUSAND TONS OF WHEAT A YEAR FROM TURKEY IN THE FUTURE. HE MADE NO COMMENT ON POSSIBILITY OF OBTAINING IRAQI CRUDE ON DEFERRED PAYMENT BASIS, WHICH TURKISH PRESS SPECULATED WAS ONE OF MAIN OBJECTIVES OF VISIT.

6. COMMENT. ANY RESULTS ACHIEVED BY THESE VISITS ARE, OF COURSE, PRELIMINARY IN NATURE. EVEN IN CASE OF ASILTURK VISIT TO TRIPOLI, IT IS NOT CLEAR WHAT FORM LIBYAN LIMITED OFFICIAL USE

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"AGREEMENT" TO PARTICIPATE IN THE SEVEN PROJECTS ENUMERATED TOOK -- AS FAR AS WE KNOW NOTHING WAS SIGNED OR INITIALED. IT SHOULD ALSO BE NOTED THAT SEVERAL OF THESE ARE SO-CALLED "ERBAKAN PROJECTS" WHICH ARE OF UNCERTAIN STATUS WITHIN TURKISH DEVELOPMENT PLAN. (IN THE FINAL DAYS OF THE PREVIOUS JP-NSP-NATIONALIST ACTION PARTY COALITION, FOR EXAMPLE, THE TUMOSAN LICENSE AGREEMENTS WERE DISAPPROVED BY THE JP-LED MINISTRY OF FINANCE.) IN ANY EVENT, AS ONE TURKISH COMMENTATOR CONGENTLY OBSERVED, THE TWO MINISTERS' EFFORTS CAN BE VIEWED ESSENTIALLY AS CONTINUATIONS OF PREVIOUS EFFORTS TO TAP ARAB SOURCES OF FINANCE FOR TURKISH DEVELOPMENT PROJECTS DIRECTLY RATHER THAN THROUGH WESTERN FINANCIAL INTERMEDIARIES.

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